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LOK SABHA

The following Bill was introduced in Lok Sabha on the 14th February, 1961:—

*BILL No. 2 OF 1961

a bill further to amend the Insurance Act, 1938.

BE it enacted by Parliament in the Twelfth Year of the Republic of India as follows:—

1. This Act may be called the Insurance (Amendment) Act, 1961. **Short title.**
 or 1938. 2. After Part IV of the Insurance Act, 1938 (hereinafter referred 5 to as the principal Act), the following Part shall be inserted, **Insertion of a new Part.**
 namely:—

'PART IVA

RE-INSURANCE

10 101A. (1) Every insurer shall re-insure with Indian re-insurers such percentage of the sum assured on each policy as may be specified by the Central Government under sub-section (2). **Re-insurance with Indian re-insurers.**

(2) For the purposes of sub-section (1), the Central Government may, by notification in the Official Gazette,—

15 (a) specify the percentage of the sum assured on each policy to be re-insured and different percentages may be specified for different classes of insurance:

Provided that no percentage so specified shall exceed thirty per cent. of the sum assured on such policy; and

*The President has, in pursuance of clause 3 of article 117 of the constitution of India, recommended to Lok Sabha the consideration of the Bill.

(b) also specify the proportions in which the said percentage shall be allocated among the Indian re-insurers.

(3) No notification under sub-section (2) shall be issued except after consultation with the Advisory Committee constituted under section 101B. 5

(4) Every notification issued under this section shall be laid before each House of Parliament, as soon as may be, after it is made.

(5) For the removal of doubts, it is hereby declared that nothing in sub-section (1) shall be construed as preventing an insurer from re-insuring with any Indian re-insurer or other insurer the entire sum assured on any policy or any portion thereof in excess of the percentage specified under sub-section (2)

(6) In this section,— 15

(i) "policy" means a policy issued or renewed on or after the 1st day of April, 1961, in respect of general insurance business transacted in India and does not include a re-insurance policy; and

(ii) "Indian re-insurer" means an insurer specified in sub-clause (b) of clause (9) of section 2 who carries on exclusively re-insurance business and is approved in this behalf by the Central Government.

101B. (1) The Central Government shall, for the purposes of section 101A, constitute an Advisory Committee consisting of not more than five persons having special knowledge and experience of the business of insurance. 25

(2) The term of office of, and the allowances payable to, members of the Advisory Committee, the procedure to be followed by, and the quorum necessary for the transaction of business of, the Committee and the manner of filling casual vacancies therein shall be such as may be prescribed.30

3. In section 114 of the principal Act,—

(i) in sub-section (2), after clause (l), the following clause shall be inserted, namely:— 35

"(ll) the term of office of, and the allowances payable to, members of the Advisory Committee constituted under section 101B, the procedure to be followed by, and the quorum necessary for the transaction of business of, the Committee and the manner of filling casual vacancies there-in;" 40

(ii) for sub-section (3), the following sub-section shall be substituted, namely:—

“(3) Every rule made under this section shall be laid as soon as may be after it is made, before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two successive sessions, and if before the expiry of the session in which it is so laid or the session immediately following, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall, thereafter, have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.”.

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STATEMENT OF OBJECTS AND REASONS

Re-insurance is an essential part of general insurance business. At present insurance companies operating in India are dependent on companies outside India for a very large part of their requirements in this connection and more often than not enter into disadvantageous arrangements. Moreover re-insurance with companies outside India results in the loss of foreign exchange. The present Bill is intended to foster the growth of Indian re-insurance companies and also to save foreign exchange.

2. The Bill seeks to provide that every insurance company operating in India must re-insure a certain percentage of its business with Indian re-insurance companies approved in this behalf by the Central Government. Power is being conferred on the Central Government to fix this percentage but this power will be exercisable only after consultation with the Advisory Committee constituted of five persons having specialised knowledge and experience in insurance business. Power is also being conferred on the Central Government to allocate the percentage so fixed amongst the approved Indian re-insurance companies.

NEW DELHI;
The 3rd February, 1961.

MORARJI DESAI.

FINANCIAL MEMORANDUM

The proposed section 101B(1) sought to be inserted by clause 2 of the Bill contemplates the constitution of an Advisory Committee consisting of not more than five persons. Travelling allowance and daily allowance will have to be paid to the members of the Committee for purposes of attending the meetings of the Committee. It is not possible to indicate the exact amount of expenditure involved but it is not expected to exceed Rs. 4,000, per year.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 3 amends section 114 of the Insurance Act, 1938 so as to enable the Central Government to make rules regarding the terms of office of the members of the Advisory Committee to be constituted under clause 2 of the Bill, the procedure of its meetings, the manner of filling casual vacancies, the quorum necessary for a meeting and allowances payable to its members. All these matters are matters of procedure or detail.

The delegation of power is thus of a normal character.

M. N KAUL,
Secretary